OTPA

*New York State Department of Taxation and Finance*

**Office of Tax Policy Analysis**

ANNUAL STATISTICAL REPORT

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# Analysis of 1994 Personal Income Tax Returns

## *Profile of Income, Deductions, Credits and Tax from Taxable Returns*

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### Full-Year Resident Taxable Returns by NYAGI

# Statistical Highlights of 1994 Returns

Some highlights from tax year 1994 personal income tax returns include:

- Total federal adjusted gross income (FAGI) of resident taxpayers for 1994 equaled approximately $270 billion, a $3 billion (1 percent) increase from 1993. New York adjusted gross income (NYAGI) totaled $260 billion, compared to $258 billion in 1993.

- Total State income tax liability of residents, nonresidents, and part-year residents equaled just under $15.3 billion, an increase of 2.6 percent from 1993. Resident taxpayers accounted for over 87 percent of total tax.

- Average tax liability per taxable resident return equaled $2,503, compared to $2,379 in 1993. Average tax for full-year nonresidents and part-year residents equaled $3,371 which was virtually unchanged from 1993.

- Total resident income tax liability, as a percentage of NYAGI, remained nearly unchanged from 1993, at approximately 5.15 percent.

- The number of tax returns filed with the Department of Taxation and Finance in 1994 totaled approximately 7.9 million, approximately the same as in 1993. About 2 million were nontaxable returns, which were typically filed to request a refund of tax withheld. The number of taxable returns declined to 5.9 million from 6.1 million in 1993, with resident returns accounting for 90 percent of this total.

# Introduction and Background

This publication contains findings from a study of 1994 personal income tax returns filed during 1995. To aid the reader in interpreting the contents of this report, several key definitions and descriptions appear in Appendix A: "Glossary of Terms." It is particularly important to note that the term "taxpayer" means an individual, or married couple filing jointly, who files a return indicating a positive tax liability.

This study contains statistics based on a stratified sample of approximately 90,000 personal income tax returns selected from a total filing population of nearly 7.9 million returns. Both taxable and nontaxable returns were sampled. However, this report primarily provides statistics on 5.9 million resident, part-year resident, and nonresident returns with a New York personal income tax liability. Appendix B details the specific sampling techniques employed in developing this study.

The study compiles tax liability, not tax collection, information provided by taxpayers on timely filed returns for the 1994 tax year. The information reflects corrections for computational or minor errors. However, it does not account for subsequent audits or amendments that may occur after initial processing. Therefore, the data contained in the report do not reflect final 1994 liability for all returns. Actual tax collections during the State fiscal year (April 1 through March 31) depend upon several factors, including withholding and estimated payments, the timing of final payments, refunds, audits, and payments from delinquent accounts.

This report describes the prominent features of New York's personal income tax, with particular emphasis on the 1994 tax year. It also includes taxpayer profiles consisting of number of taxable returns, sources of income, federal adjustments, New York modifications, deductions, dependent exemptions, tax liability and credits by NYAGI class, filing status and return type. In addition, it includes separate sections on income and itemized deduction amounts, exemptions, available credits and information on refunds. Finally, it compares statistics for 1994 with those from the prior year for most of these items. Appendix C includes the major tax forms which taxpayers filed in 1994.

The statistical tables accompanying this report cover resident, part-year resident, and nonresident returns. The "Statistical Summary" section focuses on resident returns because the data for nonresidents and part-year residents are not comparable to data from resident returns. Amounts of income, deductions, and credits reported on nonresident and part-year resident returns are not comparable to those on resident returns, because they represent gross amounts before allocation of the base tax. The report also includes a description and statistical information from returns filed by fiduciaries.

## Comparison with Other OTPA Reports

The aggregate statistics reported in this publication do not completely coincide with data presented in the *New York Adjusted Gross Income and Tax Liability, Analysis of 1994 State Personal Income Tax Returns by Place of Residence* (POR) publication also prepared by the Office of Tax Policy Analysis (OTPA). The data provided in this report are based on a statistically valid sample of nearly 90,000 personal income tax returns selected from a population of nearly 8 million returns. OTPA staff reviewed taxpayer entries, inserted missing data, corrected data and recomputed subtotals. (See Appendix B for a more complete description of the sample.) Using either the number of tax returns, adjusted gross income, or tax liability data for each sample cell, the sample was inflated to represent all timely filed 1994 State personal income tax returns.

In comparison, the *POR* publication tabulates information from all 1994 tax year returns filed with the Department of Taxation and Finance (the Department) during 1995. The *POR* report represents the compilation of records on the Department's master file on a particular day. The data variables represent amounts accepted by the Department's tax return processing system within system tolerances. Analysts compiled the data and reported the statistics with minimal review.

This report covers only some of the information contained on New York State income tax returns. The Office of Tax Policy Analysis also publishes annual studies with county-specific income and tax liability data.  In addition, the Office produces annual studies on the earned income tax credit and real property tax credit.

# Prominent Features

New York automatically conforms to most federal definitions of income and itemized deductions. Therefore, some of the tables contained in this study refer to federal components of income and federal components of deductions, the starting point for State computations. New York was one of 29 states conforming to the federal Internal Revenue Code in this way in 1994. However, like most of these states, New York modifies federal adjusted gross income for various reasons. These modifications include exemptions for certain pensions and social security, and interest on federal obligations (which federal law precludes states from taxing). Table 1 highlights some major provisions of New York's 1994 personal income tax law.

**Table 1: Selected Provisions of New York State Personal Income Tax Structure — 1994 Tax Year**

| | |
|---|---|
| Social Security Benefits | Fully Exempt |
| Pension Income | New York State and local and federal pensions fully exempt; others eligible for up to $20,000 exclusion ($20,000 each for married couples). |
| Married Standard Deduction | $9,500 |
| Head of Household Standard Deduction | $7,000 |
| Single Standard Deduction | $6,000 |
| Dependent Filer Standard Deduction | $2,800 |
| Itemized Deductions | Federal amount (after limitation*) minus deduction for state and local income tax. Upper-income taxpayers must further reduce itemized deductions by up to 50 percent. |
| Dependent Exemption Amount | $1,000 |
| Tax Treatment of Married Taxpayers | Joint rate schedule with full income splitting. |
| Minimum Tax | Add-on tax equal to 6 percent of certain federal tax preference items, minus deductions of $5,000 and regular tax. |

* Taxpayers with federal AGI of $111,800 or more ($55,900 for married filing separately) must reduce their itemized deductions by 3 percent of the amount by which their AGI exceeds $111,800 ($55,900 for married filing separately). The reduction does not apply to deductions for medical expenses, casualty and gambling losses, and investment interest expense, and it cannot reduce deductions subject to the limitation by more than 80 percent.

Because tax rates rise as taxable income increases, New York has a graduated tax rate structure. Table 2 shows the 1994 tax rate schedule. Also, the supplemental tax described in Table 2 causes certain upper-income taxpayers to lose the value of tax rates below the top rate. This effectively means these taxpayers pay a flat tax on all of their taxable income. Credits which decline in value as income rises also help make the tax progressive. On the other hand, New York permits most federal itemized deductions, which tend to diminish progressivity. Federal and State limitations on itemized deductions mitigate some of this reduced progressivity.

**Table 2: 1994 Tax Rates**

| | | |
|---|---|---|
| Married Joint and Surviving Spouse | | |
| If taxable income is: | | |
| Over | But not over | |
| $ 0 | $11,000 | 4% of taxable income |
| 11,000 | 16,000 | $440 plus 5% of amount over $11,000 |
| 16,000 | 22,000 | $690 plus 6% of amount over $16,000 |
| 22,000 | 26,000 | $1,050 plus 7% of amount over $22,000 |
| 26,000 | | $1,330 plus 7.875% of amount over $26,000 |
| Single, Married Separate and Estates and Trusts | | |
| If taxable income is: | | |
| Over | But not over | |
| $ 0 | $ 5,500 | 4% of taxable income |
| 5,500 | 8,000 | $220 plus 5% of amount over $5,500 |
| 8,000 | 11,000 | $345 plus 6% of amount over $8,000 |
| 11,000 | 13,000 | $525 plus 7% of amount over $11,000 |
| 13,000 | | $665 plus 7.875% of amount over $13,000 |
| Head of Household | | |
| If taxable income is: | | |
| Over | But not over | |
| $ 0 | $ 7,500 | 4% of taxable income |
| 7,500 | 11,000 | $300 plus 5% of amount over $7,500 |
| 11,000 | 15,000 | $475 plus 6% of amount over $11,000 |
| 15,000 | 17,000 | $715 plus 7% of amount over $15,000 |
| 17,000 | | $855 plus 7.875% of amount over $17,000 |

Supplemental Tax: A supplemental income tax for the purpose of recapturing the benefits conferred to taxpayers through tax brackets with rates lower than the maximum rate applies to all taxpayers with NYAGI over $100,000. The benefit of the lower brackets begins to be recaptured at $100,000 of New York adjusted gross income and is totally recaptured at $150,000. Once taxpayers' New York adjusted gross income exceeds $150,000, all of their taxable income becomes effectively subject to a flat 7.875 percent tax rate. Maximum supplemental tax amounts equal $718 for married taxpayers, $484 for heads of households, and $359 for single taxpayers.

Nonresidents and part-year residents first compute a base tax as if they were residents. This means that they start with their total federal adjusted gross income (FAGI) and take the full amounts of modifications, deductions, exemptions, and credits to compute a base tax. However, to ensure that they do not pay tax on non-New York income, they must then multiply this base tax by an income percentage. This is the ratio of "New York-source" New York adjusted gross income (NYAGI) to total ("sourced" plus "unsourced") NYAGI. For nonresidents, New York-source income generally consists of:

1) wages earned in New York;
2) income derived from business carried on in New York; and
3) gain from the sale of New York real property and business property.

New York-source income for part-year residents consists of these income sources for their nonresident period, plus income from all sources for their resident period.

# Statistical Summary

The personal income tax has been the major source of tax revenue for New York State, accounting for approximately half of all tax collections. Slightly under 7.2 million returns were timely filed by residents for tax year 1994. Approximately 1.84 million of these returns had no tax liability. These returns generally entailed requests for refunds of taxes withheld by employers. The remaining 5.35 million taxable returns reported a total tax liability of $13.38 billion. In addition, approximately 570,000 nonresidents and part-year residents had liability of slightly over $1.92 billion and another 75,000 filed nontaxable returns.

Table 3 summarizes and compares information from taxable returns filed by residents in 1993 and 1994. In 1994, total New York adjusted gross income (NYAGI) equaled $259.7 billion, compared with $269.8 billion in total federal adjusted gross income (FAGI). This difference resulted from the excess of State subtraction modifications to federal adjusted gross income over addition modifications to FAGI. Major New York subtraction modifications include certain pension and annuity income, interest income derived from federal bonds, federally taxable refunds of State and local income taxes, and the portion of social security benefits subject to federal income tax. The major New York addition modification is interest from obligations of states other than New York. Appendix A: "Glossary of Terms," provides more detailed income definitions.

Table 3 also shows that the number of taxable returns declined, while the number of nontaxable returns increased by over 7 percent. This mainly reflects the introduction of the earned income credit in 1994. This credit eliminated tax liability for many taxpayers. Furthermore, because it is a refundable credit, many nonfilers (generally nontaxable individuals) were encouraged to file returns in order to obtain the credit.

**Table 3: Selected Tax Filing, Structure and Taxpayer Statistics 1993 and 1994 Resident Taxable Returns**

| Major Items | | | | |
|---|---|---|---|---|
| | | | Change | |
| | 1993 | 1994 | Amount | Percent |
| Total Number of Returns* (000) | 7,241 | 7,189 | -52 | -0.7 |
| Total Number of Taxable Returns (000) | 5,525 | 5,346 | -179 | -3.2 |
| Total Number of Nontaxable Returns | 1,716 | 1,843 | 127 | 7.4 |
| Millions of Dollars | | | | |
| Total Federal Adjusted Gross Income | 266,841 | 269,827 | 2,986 | 1.1 |
| Total NY Adjusted Gross Income | 257,657 | 259,699 | 2,042 | 0.8 |
| Total Deductions Used | 51,969 | 51,137 | -832 | -1.6 |
| Total Value of Exemptions Used | 4,018 | 3,829 | -189 | -4.7 |
| Total Taxable Balance | 201,670 | 204,733 | 3,063 | 1.5 |
| Total Tax Liability | 13,143 | 13,379 | 236 | 1.8 |
| Dollars | | | | |
| Average Tax Liability | 2,379 | 2,503 | 124 | 5.2 |

* Includes nontaxable resident returns. Remainder of table pertains only to taxable returns.

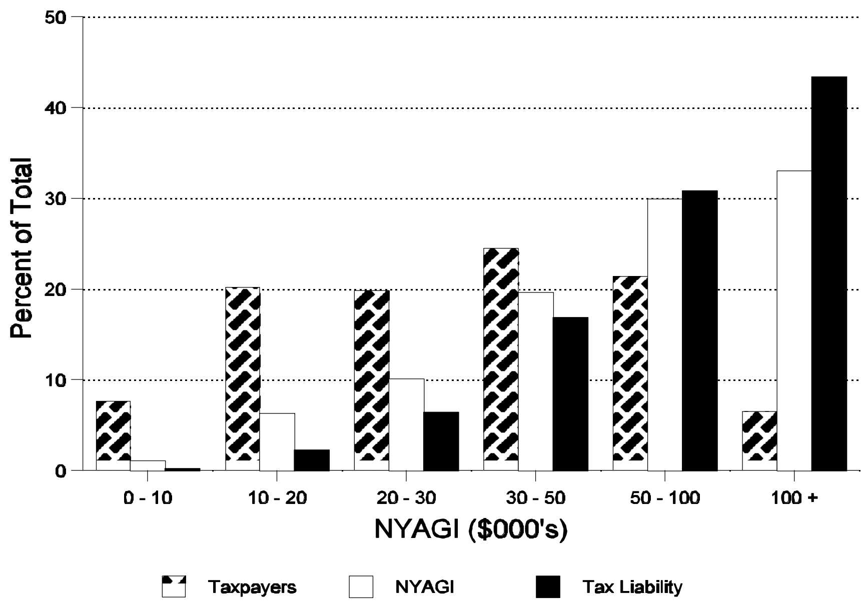
## Distribution of Taxpayer Income and Tax Liability

Table 4 compares the distribution of taxpayers, income, and tax liability in 1993 and 1994. Overall, the distribution of taxpayers, income, and tax liability changed little from 1993. The most pronounced changes occurred for taxpayers with NYAGI below $20,000, with their decline in taxpayers, income, and tax liability resulting in large part from the inception of the earned income credit. Figure 1 depicts the distribution of these items in tax year 1994.

**Table 4: Percentage of Total Resident Taxpayers, Adjusted Gross Income, and Tax Liability by New York Adjusted Gross Income Class, 1993 and 1994**

| | Taxpayers | | Adjusted Gross Income | | Tax Liability | |
|---|---|---|---|---|---|---|
| NYAGI Class | 1993 | 1994 | 1993 | 1994 | 1993 | 1994 |
| Less than $10,000 | 8.5 | 7.6 | 1.2 | 1.1 | 0.3 | 0.2 |
| $ 10,000 - 19,999 | 22.3 | 20.2 | 7.2 | 6.3 | 2.7 | 2.3 |
| 20,000 - 29,999 | 19.6 | 19.8 | 10.4 | 10.1 | 6.5 | 6.4 |
| 30,000 - 49,999 | 23.9 | 24.5 | 20.0 | 19.6 | 17.2 | 16.9 |
| 50,000 - 99,999 | 19.8 | 21.4 | 28.7 | 29.9 | 29.7 | 30.8 |
| $100,000 and over | 5.9 | 6.5 | 32.5 | 33.0 | 43.6 | 43.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

**Figure 1: Percent of Taxpayers, NYAGI and Tax Liability by NYAGI***




*1994 Resident Taxpayers

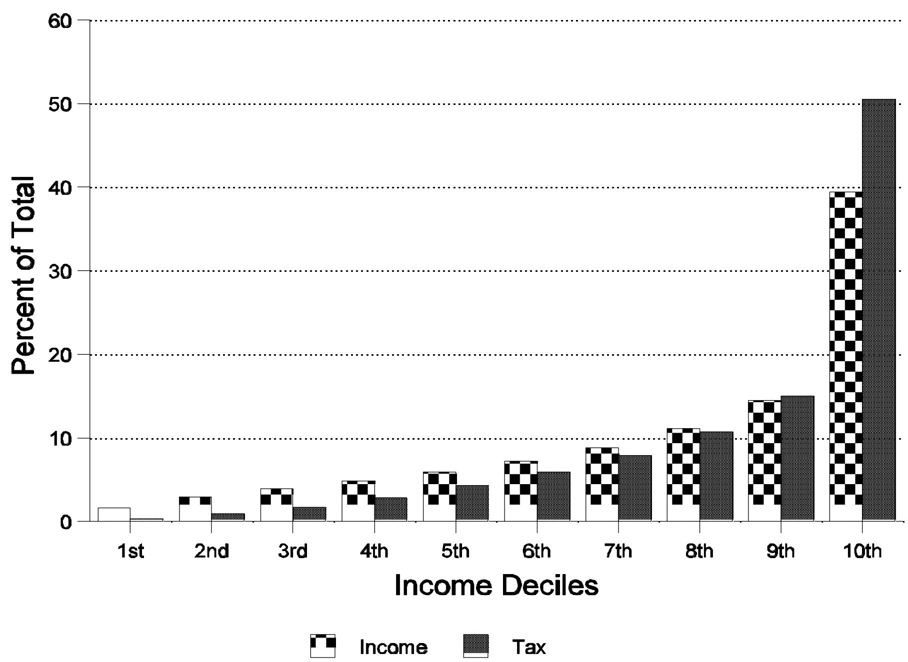
Table 5 and Figure 2 provide distributional analysis based on deciles of taxpayers. They indicate that the 10 percent of taxpayers with the lowest incomes had 1.6 percent of all income and paid 0.3 percent of all tax. In contrast, the 10 percent of taxpayers with the highest incomes had 39.4 percent of all income and paid 50.5 percent of all tax. The increasing effective tax rate, especially for the top decile, illustrates the progressive structure of the tax. The median income for taxpayers equaled $31,440. Taxpayers below the median had 19.1 percent of total NYAGI and paid 10 percent of total tax, while those above the median bore 90 percent of the tax burden.

**Table 5: 1994 Distributions of New York Adjusted Gross Income and Tax Liability of Resident Taxpayers by Decile Class 1/**

| | Income | | Tax | | |
|---|---|---|---|---|---|
| Income of Decile 2/ | Amount ($ Millions) | Percent of Total | Amount ($ Millions) | Percent of Total | Effective Tax Rate 3/ |
| Less than $11,377 | $ 4,217.6 | 1.6 | $ 46.1 | 0.3 | 1.1% |
| $11,377 to 16,457 | 7,443.9 | 2.9 | 122.0 | 0.9 | 1.6% |
| 16,458 to 21,006 | 10,013.9 | 3.9 | 226.3 | 1.7 | 2.3% |
| 21,007 to 25,766 | 12,510.4 | 4.8 | 375.5 | 2.8 | 3.0% |
| 25,767 to 31,440 | 15,250.0 | 5.9 | 574.2 | 4.3 | 3.8% |
| 31,441 to 38,530 | 18,625.0 | 7.2 | 786.4 | 5.9 | 4.2% |
| 38,531 to 47,900 | 22,950.5 | 8.8 | 1,053.6 | 7.9 | 4.6% |
| 47,901 to 60,344 | 28,708.1 | 11.1 | 1,425.4 | 10.7 | 5.0% |
| 60,345 to 83,379 | 37,600.6 | 14.5 | 2,013.2 | 15.0 | 5.4% |
| $83,380 and Over | 102,378.2 | 39.4 | 6,756.5 | 50.5 | 6.6% |
| Total | $259,698.6 | 100.0 | $13,379.2 | 100.0 | 5.2% |

1/ Positive tax liability
2/ NYAGI
3/ Tax liability as a percentage of NYAGI

**Figure 2: Percent of NYAGI and Tax Liability by Decile***




*1994 Resident Taxpayers

## Income Sources

Table 6 identifies the sources of New York taxpayers' federal gross income (before adjustments), and their changes from 1993.

**Table 6: New York State Personal Income Tax: Components of Federal Gross Income for Resident Taxpayers 1/ (Dollar Data in Millions)**

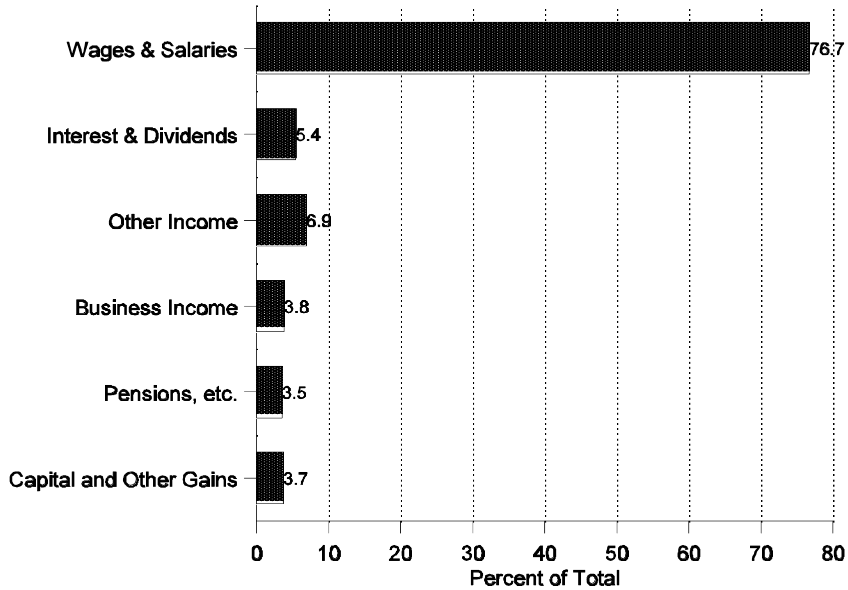
| | | | Change | |
|---|---|---|---|---|
| Components of Income | 1993 | 1994 | Amount | Percent |
| Wages and Salaries | $206,511 | $209,159 | $2,648 | 1.3 |
| Interest and Dividends | 14,618 | 14,751 | 133 | 0.9 |
| Business Income (Net) | 9,989 | 10,406 | 417 | 4.2 |
| Capital and Other Gains (Net) | 11,664 | 10,062 | -1,602 | -13.7 |
| Pensions, Annuities, IRA Distributions | 8,819 | 9,421 | 602 | 6.8 |
| Other Income 2/ | 17,914 | 18,740 | 826 | 4.6 |
| Total | $269,515 | $272,540 | $3,025 | 1.1 |

1/ Before adjustments, such as alimony paid, contributions to IRAs, and 50 percent of self-employment tax paid.
2/ Includes rents, royalties, estates and trusts, unemployment benefits, taxable social security, alimony, refunds of State and local income taxes and other income.

The one percent growth in federal gross income followed a similar small growth in 1993 over 1992. In addition, the small change in interest and dividend income partly reflected the continuing fall in interest rates during 1994. Capital gains, which has been a highly volatile income source in recent years, declined nearly 14 percent following a 34 percent increase in 1993.

Wages and salaries comprised the largest single income component, nearly 77 percent of federal gross income. Its share remained unchanged from 1993. Interest and dividends constituted the second largest single source of income, and its 5.4 percent share of federal income remained unchanged from 1993. The next three most important sources of income were a) business (Schedule C) income, b) net capital and other gains, and c) pensions, annuities and IRA distributions. Each comprised between 3 and 4 percent of total income. Other income, mainly rents, royalties, estates and trusts, alimony, unemployment compensation benefits, and social security, comprised about 7 percent of the total. Figure 3 depicts the distribution of these components.

**Figure 3: Distribution of Federal Gross Income by Source***




*1994 Resident Taxpayers

## Standard and Itemized Deductions

Seventy-three percent of resident taxpayers used the standard deduction in 1994, compared to 75 percent in 1993. Slightly more than 1.4 million taxpayers claimed itemized deductions worth $22.97 billion compared to $22.35 billion in the previous year.

Table 7 and Figure 4 show that the taxes paid deduction was the most often claimed New York State itemized deduction, followed closely by deductions for charitable contributions and interest paid.

**Table 7: Number of Resident Taxpayers Who Claimed Itemized Deductions by Type of Deduction for 1994**

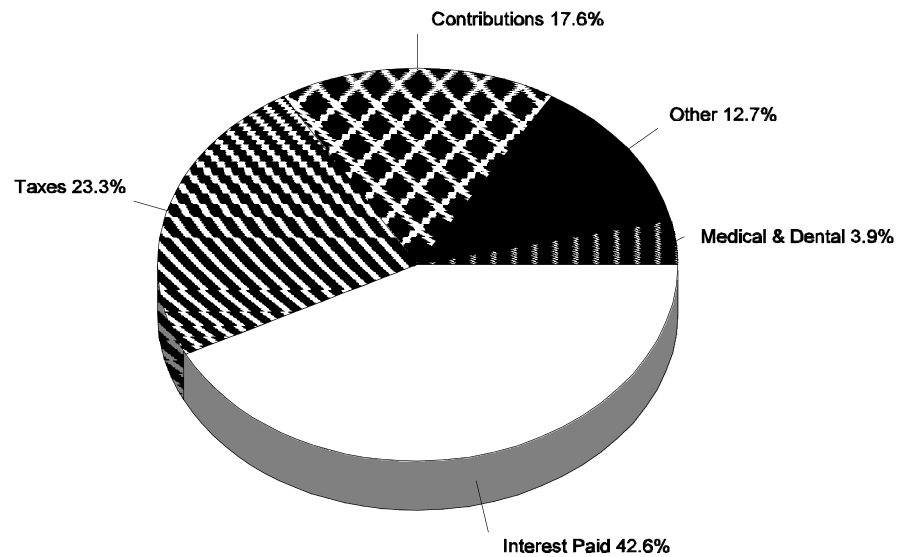
| Deduction | Number of Taxpayers Claiming | Amount of Deductions (000) | Average Amount |
|---|---|---|---|
| Taxes Paid 1/ | 1,430,853 | $ 5,963,647 | $ 4,168 |
| Charitable Contributions | 1,376,635 | 4,507,437 | 3,274 |
| Interest Paid | 1,199,321 | 10,926,890 | 9,111 |
| Medical and Dental | 239,576 | 996,027 | 4,157 |
| Other 2/ | 670,137 | 3,252,753 | 4,854 |
| Total After Limitations 3/ | 1,433,247 | $22,966,961 | $16,024 |

1/ Primarily includes real property taxes. Federal deductions for New York State and local income taxes (except a portion of New York City's commuter earnings tax) and certain other federal deductions (e.g., interest expense relating to items exempt from tax in New York) totaling $9.52 billion are not allowed on State returns.
2/ Includes deductions for miscellaneous expenses, casualty and theft losses, and moving expenses.
3/ Limitations are the federal limitation to which New York conforms, and the New York itemized deduction adjustment. Therefore, the data items refer to taxpayers who actually itemized deductions, after limitations and adjustments. Note also that columns are not additive, because of the limitations and because most taxpayers used more than one deduction.

As Table 7 shows, interest payments of over $10.9 billion represented the largest component of itemized deductions in dollar terms. Deductions for interest paid were about 80 percent greater than that of the second largest deduction, taxes paid.

As described in Table 1 on page 5, the federal limitation, to which New York conforms, requires upper-income taxpayers to reduce their itemized deductions. Because this reduction applies against all deductions subject to it, its effect on particular deductions cannot be computed. However, it reduced 218,000 taxpayers' total itemized deductions by about $1.05 billion. In addition, the New York itemized deduction adjustment, applicable to approximately 88,000 upper-income taxpayers, effectively reduced itemized deductions by an additional $1.63 billion. This limited total itemized deductions used to reduce taxable income to $22.97 billion. Like the federal limitation, the New York adjustment applies to aggregate itemized deductions, so its effect on any particular deductions cannot be calculated. Figure 4 shows the distribution of itemized deductions prior to the limitations.

**Figure 4: Percent of Gross Itemized Deductions by Type***




*Itemized Deductions (Before Limitations) of 1994 Resident Taxpayers

## Dependent Exemptions

The number of dependent exemptions claimed by resident taxpayers in 1994 totaled slightly over 3.8 million, nearly 200,000 less than in 1993. The decline is mainly attributable to a decrease in the number of taxable returns -- many taxpayers with dependent children became nontaxable due to the earned income credit. About 2.1 million taxpayers claimed at least one dependent exemption.

## Credits

New York State has offered a number of credits which reduce the total tax due dollar for dollar. Collectively, these credits reduced tax liability by $459 million for tax year 1994. About 2.6 million taxpayers claimed at least one credit on their tax returns. These credits include:

- Household Credit
- Earned Income Credit
- Special Additional Mortgage Recording Tax Credit
- Real Property Tax Credit
- Accumulation Distribution Tax Credit

- Investment Credit
- Resident Credit (Taxes Paid to Other Jurisdictions)
- Dependent Care Credit
- Economic Development Zone Credits

## Household Credit

All nondependent taxpayers with FAGI below $28,000 (single) or $32,000 (all others) may take the household credit. The credit ranges between $20 and $75 for single filers, with similar amounts for other filers and additional amounts for dependents. In 1994, slightly more than 2.1 million resident taxpayers claimed the household credit, effectively reducing their tax liability by $108.5 million. The average household credit claimed was $51. Table 8 details the distribution of this credit by NYAGI.

**Table 8: Resident Taxpayers Claiming Household Credit by NYAGI Class in 1994**

| NYAGI Class | Number Claiming Credit | Percent of Total | Amount (000) | Percent of Total | Average Credit |
|---|---|---|---|---|---|
| Under $ 5,000 | 360 | 0.0 | $ 15 | 0.0 | $42 |
| $ 5,000 - 9,999 | 195,651 | 9.2 | 8,823 | 8.1 | 45 |
| 10,000 - 14,999 | 439,601 | 20.7 | 23,209 | 21.4 | 53 |
| 15,000 - 19,999 | 519,123 | 24.4 | 32,086 | 29.6 | 62 |
| 20,000 - 24,999 | 517,754 | 24.4 | 29,239 | 26.9 | 56 |
| $25,000 and over | 453,622 | 21.3 | 15,179 | 14.0 | 33 |
| Total | 2,126,111 | 100.0 | $108,551 | 100.0 | $51 |

## Earned Income Credit

Beginning in 1994, New York provides an earned income credit (EIC) equal to a percentage of the federal credit. The credit rate was 7.5 percent of the federal credit in 1994, increasing to 10 percent in 1995 and 20 percent thereafter. It is refundable to residents and nonrefundable to nonresidents. (For more information on the credit, see Office of Tax Policy Analysis, *Earned Income Tax Credit: Analysis of Credit Claims for 1994*. The legislation creating the credit requires OTPA to issue an annual report on its usage.)

Table 9 shows that in tax year 1994, nearly 932,000 New York residents claimed some $77 million of earned income credit. The majority of credits were claimed on nontaxable returns, and thus, constituted refunds. Because the credit phases out as the greater of earnings or FAGI exceeds $11,000, the highest average amount of credit, $144, occurred in the $8,001-12,000 earned income class.

**Table 9: Residents' Use of Earned Income Credit by Earned Income Class in 1994***

| Earned Income Class | Number Claiming Credit | Percent of Total | Amount (000) | Percent of Total | Average Credit |
|---|---|---|---|---|---|
| $ 0 - $ 4,000 | 147,775 | 15.9 | $ 4,321 | 5.6 | $29 |
| 4,001 - 8,000 | 223,081 | 23.9 | 16,919 | 22.0 | 76 |
| 8,001 - 12,000 | 168,134 | 18.0 | 24,189 | 31.4 | 144 |
| 12,001 - 16,000 | 146,271 | 15.7 | 18,045 | 23.4 | 123 |
| 16,001 - 20,000 | 130,349 | 14.0 | 10,013 | 13.0 | 77 |
| 20,001 - 24,000 | 105,446 | 11.3 | 3,433 | 4.5 | 33 |
| $24,001 - 28,000 | 10,911 | 1.2 | 98 | 0.1 | 9 |
| Total | 931,968 | 100.0 | $77,018 | 100.0 | $83 |

* Table includes taxable returns and nontaxable returns with a refund.

Other major credits include the resident credit and the child and dependent care credit. The resident credit totaled approximately $250 million for taxes paid to other jurisdictions. The child and dependent care credit, claimed by 333,000 taxpayers, equaled approximately $34 million. In 1994, this credit equaled 20 percent of the corresponding federal credit.

## Refunds

Of the 5.35 million taxable resident returns, slightly over 3.63 million returns resulted in an average overpayment of tax amounting to $602. Thus, for about two-thirds of taxpayers, withholding by employers or estimated tax payments exceeded total tax liability. About 3.4 million taxpayers received all of their overpayment as refunds averaging $477, while about 66,000 (mainly upper-income) taxpayers credited all of their overpayment, which averaged $2,442, toward their 1995 tax. (Approximately 161,000 taxpayers requested both refunds and credits.)

## Nonresidents and Part-Year Residents

Nonresidents and part-year residents typically account for between 10 and 15 percent of all taxpayers and tax liability. Table 10 provides a summary of nonresident and part-year resident returns filed in 1994.

**Table 10: Selected Tax Filing, Structure and Taxpayer Statistics, 1994 Nonresident and Part-Year Resident Taxable Returns**

| Filer | Total # of Returns | Total # of Taxpayers | Base Tax Before Proration (000) | Total Tax After Proration (000) | Average Tax Liability |
|---|---|---|---|---|---|
| Full-Year Nonresidents | 498,365 | 439,864 | $5,781,127 | $1,683,802 | $3,828 |
| Part-Year Residents | 148,334 | 131,235 | $ 512,735 | $ 233,113 | $1,776 |

For full-year nonresidents, the ratio of prorated tax to base tax equaled 29 percent ($1,684 million/$5,781 million). This means that, overall, 29 percent of nonresidents' New York adjusted gross income was from New York sources. For part-year residents, the corresponding percentage equaled 45 percent ($233 million/$513 million), the higher percentage reflecting New York-source income earned during their resident period.

# Selected Historical Trends

This section provides analysis of recent statistical trends in certain tax provisions. This includes provisions for which usage or amounts have undergone important changes due to legal or economic developments.

## Income Sources

Table 11 shows the pattern of resident taxpayers' long-term capital gains and retirement income (pensions, annuities, IRA distributions) between 1988 and 1994. Capital gains income declined dramatically beginning after 1989, in large part due to the onset of a national economic recession. It rebounded beginning in 1993, as the economy began to recover. With the exception of a drop in 1992, retirement income has increased every year since 1988, reflecting the increasing share of New Yorkers who are either retired or have some retirement income.

**Table 11: Capital Gains & Retirement Income, 1988-1994 - Resident Taxable Returns (Dollar Data in Millions)**

| Tax Year | Net Long-Term Capital Gains | Pensions, Annuities, IRA Distributions |
|---|---|---|
| 1988 | $12,991 | $6,552 |
| 1989 | 12,537 | 6,680 |
| 1990 | 8,381 | 7,074 |
| 1991 | 7,520 | 8,035 |
| 1992 | 8,693 | 7,620 |
| 1993 | 11,664 | 8,819 |
| 1994 | $10,062 | $9,421 |

## Subtraction Modifications

Table 12 shows resident taxpayers' use of major New York subtraction modifications to federal adjusted gross income between 1988 and 1994. These include:

1) the full exemption of social security benefits subject to federal income tax;
2) the full exemption of interest on U.S. government obligations; and
3) the exclusion of up to $20,000 of pensions and annuities for individuals age 59 ½ and over.

The table indicates that the exclusions for social security and pensions and annuities have grown moderately over the five-year period, with some fluctuations. However, the subtraction for federally taxable social security benefits rose markedly in 1994, reflecting the increase in the maximum amount subject to federal tax from 50 percent to 85 percent effective in tax year 1994. Also, income from U.S. government bonds grew substantially from 1988 through 1991, thereby markedly increasing the related subtraction modification. This, in part, resulted from a 1986 State law change, effective April 1, 1987, which completely exempted income from federal obligations passing through mutual funds having a portfolio of at least 50 percent of U.S. obligations. However, interest rate reductions and the increased attractiveness of equity markets versus federal government bonds caused this modification to decline substantially after 1991.

**Table 12: Major Subtraction Modifications, 1988-1994 (Dollar Data in Millions)**

| Tax Year | Social Security | U.S. Government Bond Interest | Pension and Annuity Exclusion |
|---|---|---|---|
| 1988 | $1,202 | $1,592 | $2,804* |
| 1989 | 1,402 | 2,337 | 2,622 |
| 1990 | 1,409 | 2,635 | 2,774 |
| 1991 | 1,608 | 2,744 | 3,097 |
| 1992 | 1,414 | 2,256 | 2,412 |
| 1993 | 1,620 | 1,665 | 3,257 |
| 1994 | $2,714 | $1,641 | $3,093 |

* Amount includes federal pensions. Beginning in 1989, federal pensions became completely exempt from tax, and thus are no longer included in the pension and annuity exclusion.

## Itemized Deductions

Table 13 shows taxpayers' average itemized deductions from 1988 through 1994. The relatively large increase in average amounts between 1988 and 1989 resulted in part from an increase in the standard deduction which, all else equal, reduced the number of itemizers with lower deduction amounts, thereby pushing the average amount upward. Absent law changes, average itemized deductions generally increase from year to year due to increases in incomes (e.g., charitable giving usually rises with income) or due to the indirect effects of increasing costs (e.g., property taxes generally rise as the cost of schools and local government increases). However, the deduction for interest expense is also sensitive to interest rates, which have fallen since 1991. In addition, the sizable increase in the average deduction for contributions in 1993 reflected the decision by some taxpayers to defer 1992 giving into 1993, when a federal tax rate increase made the deduction more valuable for federal purposes.

**Table 13: Average Major Itemized Deductions, 1988-1994**

| Tax | Taxes | Contributions | Interest | Medical |
|---|---|---|---|---|
| 1988 | $3,082 | $2,706 | $8,447 | $3,992 |
| 1989 | 3,465 | 2,956 | 9,857 | 4,406 |
| 1990 | 3,574 | 2,884 | 10,124 | 4,508 |
| 1991 | 3,667 | 2,958 | 10,483 | 4,184 |
| 1992 | 3,877 | 3,009 | 9,837 | 4,238 |
| 1993 | 3,942 | 3,528 | 9,163 | 4,189 |
| 1994 | $4,168 | $3,274 | $9,111 | $4,157 |

Note: Amounts reflect deductions “claimed” not “allowed,” because limitations on itemized deductions reduced the overall value of deductions claimed.

# Tables Accompanying This Report

The remainder of this publication contains two sections of statistical tables displaying significant features of New York State taxpayers for the 1994 tax year. Section 1 (tables 14 through 30) depicts distributions of resident, nonresident and part-year resident taxable returns classified by New York adjusted gross income or New York-source income. Summary information only is provided for nonresidents and part-year residents. Section 2 (tables 31 through 50) displays selected tax components by filing status for resident taxable returns.

Individuals familiar with the historical format of this report will note several changes this year. These format changes, separating NYAGI and filing status components for residents, greatly simplify the data presentation. We also eliminated two tables summarizing data from resident taxpayers filing the state short-form (IT-100 and IT-200). Data previously appearing in these tables are now combined with information historically available only for long-form (IT-201) filers. Data users may use the following matrix to locate comparable information for the latest two publications in this data series.

| 1993 PITS Analysis | 1994 PITS Analysis |
|---|---|
| Table 14 | Section 1: Table 14 |
| Table 15 | Section 1: Table 15 |
| Table 16 | Section 1: Table 16 |
| Table 17 | By NYAGI: Section 1, Table 14<br>By Filing Status: Section 2, Tables 31, 36, 41, 46 |
| Tables 18 and 19 | Data no longer provided by type of form. |
| Tables 20a, 20b, 20c, 20d | By NYAGI: Section 1, Table 17<br>By Filing Status: Section 2, Tables 32, 37, 42, 47 |
| Table 21 | By NYAGI: Section 1, Table 18<br>By Filing Status: Section 2, Tables 33, 38, 43, 48 |
| Table 22 | By NYAGI: Section 1, Table 19<br>By Filing Status: Section 2, Tables 34, 39, 44, 49 |

| | |
|---|---|
| Table 23 | By NYAGI: Section 1, Table 20<br>By Filing Status: Section 2, Tables 35, 40, 45, 50 |
| Table 24 | Section 1: Table 21 |
| Table 25 | Section 1: Table 22 |
| Table 26 | Section 1: Table 23 |
| Table 27 | Section 1: Table 24 |
| Table 28 | Section 1: Table 25 |
| Table 29 | Section 1: Table 26 |
| Table 30 | Section 1: Table 27 |
| Table 31 | Section 1: Table 28 |
| Table 32 | Section 1: Table 29 |
| Table 33 | Section 1: Table 30 |

## Section I:
## Resident, Nonresident and Part-Year Resident Taxable Returns Classified by New York Adjusted Gross Income or New York-Source Income
## Tables 14 Through 30

## Section II:
## Selected Tax Components by Filing Status for Resident Taxable Returns
## Tables 31 Through 50

The tables listed above can be found in
“94pit.wk4"

# 1994 Fiduciary Returns

In addition to tax returns filed by individual taxpayers, fiduciaries of estates and trusts are also required to file returns and pay the personal income tax. “Fiduciaries” are persons responsible for paying the tax of either the estates of deceased taxpayers, or of trusts. The latter consists of entities, such as charitable foundations, with income subject to tax.

The tax rates for estates and trusts are the same as for single individuals. Like the regular income tax, the base is generally based on federal amounts, before certain modifications and adjustments. Fiduciaries file on Form IT-205.

Table 51 shows that approximately 55,000 resident estates and trusts had 1994 tax liability of approximately $87 million. A small number of nonresident estates and trusts also had a small amount of tax liability. In total, Table 52 shows that 55,202 fiduciary returns had total tax liability after credits of $88.43 million.

The data in Tables 51 and 52 is based on all fiduciary returns received for the 1994 tax year. This differs from data in the remainder of this report, which comes from a sample of regular tax returns.

This year’s report marks the first inclusion of data from income tax returns filed by fiduciaries. Information for prior years is available upon request from the Office of Tax Policy Analysis.

Table 51: 1994 Fiduciary Returns by New York Taxable Income Class
and
Table 52: Fiduciary Returns by New York Taxable Income Class
(See “94PIT.WK4")

# Appendix A:  Glossary of Terms

| | |
|---|---|
| Federal Adjusted Gross Income (FAGI) | The amount of income earned or received during the income year after certain exclusions and adjustments. Major exclusions *from* gross income include many government transfer payments, employer-provided pension contributions and fringe benefits, and certain capital gains. Major adjustments *to* gross income include deductions for individual retirement arrangements, alimony paid, and one-half of self-employment tax paid. |
| New York Adjusted Gross Income (NYAGI) | The amount of federal adjusted gross income earned or received during the income year after certain modifications and before the subtraction of either the standard or itemized deductions, and dependent exemptions. For example, New York State income tax refunds, included in FAGI, are subtracted in determining NYAGI. Also, certain pension and annuity income is subtracted from FAGI in arriving at NYAGI, as is interest on U.S. government bonds. On the other hand, taxpayers must add to FAGI interest income from other states' debt obligations when determining their NYAGI.<br><br>New York-source NYAGI, which is used to classify nonresident taxpayers into income groups, represents that portion of NYAGI from New York sources. Generally, this is limited to wages and other income from performing services or conducting a trade or business in New York, and gains from the sale of real property located in New York. Also, New York-source modifications include those modifications which relate to income from New York sources. The ratio of New York-source NYAGI to total NYAGI is used to allocate nonresident and part-year resident tax liability. For tax years 1988-1993, this report classified these taxpayers into income groups based on the ratio of New York-source FAGI to total FAGI, because this ratio was used to allocate tax for those tax years.<br><br>Some major differences exist between income defined for tax purposes and the personal income series for New York published by the U.S. Department of Commerce's Bureau of Economic Analysis. Personal |

income is more comprehensive in that it includes most federal exclusions from income, such as:

a) tax-exempt interest;
b) workers compensation benefits;
c) payments in kind;
d) public assistance transfer payments;
e) social security benefits; and
f) imputed income (e.g., the estimated rental value of owner-occupied housing).

On the other hand, personal income is limited to New York State residents and does not include capital gains. Income defined for tax purposes includes both certain income earned by nonresident taxpayers and capital gains.

## Forms

Short Forms: IT-100 and IT-200, used by taxpayers who have limited income sources, use the standard deduction, and make limited use of credits.

Long Forms: IT-201 and IT-203, used by taxpayers reporting income from several sources, making adjustments to income, claiming itemized deductions, and/or using several credits. Nonresidents and most part-year residents use the long form IT-203, which is similar to the IT-201 used by resident taxpayers.

## Nontaxable Return

A return with no tax liability.

## Nonresident Return

A taxpayer who is not a resident for the entire tax year.

## Part-Year Resident

A taxpayer who changes from a resident to a nonresident, or from a nonresident to a resident, during the tax year.

## Return

Income tax forms IT-100, IT-200, IT-201, and IT-203. A husband and wife filing a joint return are considered to be one taxpayer.

## Taxable Return

A return with any amount of tax liability.

| | |
|---|---|
| Taxable Year | The annual period for which the taxpayer computes income earned or received. This study includes tax returns filed for the calendar year 1994 and fiscal years ending before February 1, 1995. |
| Tax Liability | For residents, the amount of tax is based on New York taxable income. The tax is computed by subtracting allowable deductions and exemptions from New York adjusted gross income, and multiplying the remainder by the appropriate New York State tax rate schedule. The result, minus the amount of allowable credits, equals tax liability.<br><br>The computation for full-year nonresidents and part-year residents is different. They first compute their base tax through the applicable tax rate schedule and subtraction of the household and dependent care credits. They then multiply this after-credit liability by the ratio of New York-source NYAGI to total NYAGI to arrive at a prorated tax. After subtracting other credits, final New York tax liability results. |
| Taxpayer | An individual or married couple who files a return with some amount of tax liability. When married couples file separate returns, each spouse constitutes a taxpayer. |

# Appendix B: Description of the Sample

The study does not fully account for total tax liability as shown in collection data. It is based on timely filed returns for the current year and does not include late or delinquent returns, or those delayed by audit or processing factors. Also excluded are 55,202 returns filed by fiduciaries on form IT-205, with tax liability of $88.5 million.

Data in this report are based on a sample of approximately 90,000 personal income tax returns of all types, selected from a total of nearly 7.8 million returns. The sample includes both taxable and nontaxable returns, but data in this report primarily relate to those with some State income tax liability. The sample is based on New York adjusted gross income (New York-source federal adjusted gross income for nonresident taxpayers) and drawn according to the ratios shown in Table B-1. The sampling ratio is defined as the selection of one out of every "nth" return. For example, the following table shows that for IT-100 returns with incomes between $75,000 and $100,000, 1 out of every 125 returns is selected.

**Table B-1: 1994 Personal Income Tax Study Sampling Ratios**

| Income Class* | IT-100 | IT-200 | IT-201 Standard | IT-201 Itemized | IT-203 Standard | IT-203 Itemized |
|---|---|---|---|---|---|---|
| $ 0 or Less | 1/950 | 1/992 | 1/7 | NA | 1/65 | NA |
| 1 - 4,999 | 1/7,079 | 1/937 | 1/215 | 1/96 | 1/776 | 1/758 |
| 5,000 - 9,999 | 1/3,337 | 1/531 | 1/156 | 1/30 | 1/441 | 1/470 |
| 10,000 - 14,999 | 1/3,581 | 1/829 | 1/147 | 1/77 | 1/310 | 1/387 |
| 15,000 - 19,999 | 1/2,536 | 1/1,111 | 1/123 | 1/121 | 1/497 | 1/634 |
| 20,000 - 24,999 | 1/3,121 | 1/1,250 | 1/130 | 1/104 | 1/739 | 1/306 |
| 25,000 - 29,999 | 1/1,639 | 1/767 | 1/120 | 1/87 | 1/695 | 1/342 |
| 30,000 - 34,999 | 1/1,584 | 1/694 | 1/142 | 1/91 | 1/478 | 1/313 |
| 35,000 - 39,999 | 1/2,953 | 1/727 | 1/129 | 1/115 | 1/245 | 1/295 |
| 40,000 - 44,999 | 1/1,229 | 1/642 | 1/103 | 1/46 | 1/526 | 1/332 |
| 45,000 - 49,999 | 1/767 | 1/674 | 1/181 | 1/80 | 1/148 | 1/560 |
| 50,000 - 54,999 | 1/684 | 1/567 | 1/114 | 1/125 | 1/153 | 1/254 |
| 55,000 - 59,999 | 1/503 | 1/399 | 1/99 | 1/120 | 1/572 | 1/385 |
| 60,000 - 64,999 | 1/400 | 1/789 | 1/61 | 1/90 | 1/988 | 1/182 |
| 65,000 - 74,999 | 1/101 | 1/423 | 1/110 | 1/81 | 1/158 | 1/276 |
| 75,000 - 99,999 | 1/125 | 1/806 | 1/60 | 1/63 | 1/129 | 1/123 |
| 100,000 - 149,999 | All | All | 1/48 | 1/42 | 1/78 | 1/97 |
| 150,000 - 199,999 | All | All | 1/14 | 1/28 | 1/50 | 1/42 |
| 200,000 - 499,999 | All | All | 1/8 | 1/14 | 1/25 | 1/25 |
| 500,000 - 999,999 | All | All | 1/6 | 1/4 | 1/9 | 1/14 |
| 1,000,000 - 1,999,999 | All | All | 1/3 | 1/2 | 1/4 | 1/5 |
| 2,000,000 - 4,999,999 | All | All | 1/2 | All | 1/3 | 1/2 |
| $5,000,000 or More | All | All | All | All | All | All |

(Column group heading: Return Type and Deduction Status)

* IT-100, IT-200, and IT-201 uses New York Adjusted Gross Income (NYAGI).
IT-203 uses New York Source Federal Adjusted Gross Income (FAGI).

A sample is conducted to eliminate the need to tabulate components of income and deductions from all of the approximately 8 million tax returns. However, a sample produces the undesirable effect of a sampling error. This error can be reduced by stratifying the sample. As in past years, the sample was stratified by income class and return type for resident and nonresident returns. The long-form returns IT-201 and IT-203 were additionally stratified by deduction status: standard or itemized. The IT-203 returns were further stratified by full-year nonresidents and part-year residents. However, the IT-203 sampling ratios do not differ between full-year nonresident and part-year resident returns, only among income classes and between deduction status. Also, the income classifier for IT-203 returns is New York-source FAGI from

NYAGI.  The sampling error depends not only on the sample size, but also on the allocation of the sample to the different strata of income classes and return types.

For the 1994 study, the allocation of the sample was computed according to statistical principles which minimized the sample size while maintaining or improving the precision of estimation of total income, tax liability and six of the most important federal components of income.  By following these principles it has been possible to reduce the sample size from 184,000 in 1987 to 90,000 in 1994.

The sampling errors for the statistics published here vary by item and classification.  The actual sampling errors associated with a particular sample are unknown.  What can be estimated are the typical errors to be expected in repeated sampling with a given sampling plan.  Table B-2 shows estimated standard sampling errors for all the statistics in Table 10 of the "Statistical Tables" section, with the exception of the ratio of tax to NYAGI.  The errors are expressed as a percentage of the corresponding statistic, and can be used to form confidence interval estimates.  The statistics from the four highest income classes have no sampling error, while those from the lowest class are estimated with comparatively low precision.  Examining the errors by item reveals that, with the exception of  the "Credits" statistics, the precision of the estimates are generally reliable.  The relatively low reliability of the "Credits" estimates is due in part to the smaller fraction of taxpayers using credits as opposed to other items.

## Table B-2: Estimated Standard Sampling Errors (Percent) With a Confidence Interval of One Standard Deviation

| Income Class | Taxpayers | NYAGI | NY Deductions | Dependent Exemptions | Taxable Income | Tax Before Credits | Credits | Tax After Credits |
|---|---|---|---|---|---|---|---|---|
| Less than $ 5,000 | 10.33 | 11.00 | 10.34 | 0.00 | 13.87 | 13.93 | 41.66 | 14.03 |
| 5,000 - 10,000 | 2.84 | 2.89 | 3.00 | 23.37 | 3.47 | 3.51 | 4.09 | 4.41 |
| 10,000 - 15,000 | 1.53 | 1.55 | 1.59 | 7.81 | 1.89 | 1.97 | 2.49 | 2.40 |
| 15,000 - 20,000 | 0.67 | 0.71 | 0.87 | 5.24 | 0.97 | 1.17 | 2.47 | 1.65 |
| 20,000 - 25,000 | 0.19 | 0.27 | 0.65 | 4.13 | 0.59 | 0.95 | 3.00 | 1.27 |
| 25,000 - 30,000 | 0.16 | 0.21 | 0.63 | 3.84 | 0.42 | 0.69 | 3.55 | 0.78 |
| 30,000 - 35,000 | 0.14 | 0.18 | 0.76 | 3.54 | 0.39 | 0.65 | 7.41 | 0.69 |
| 35,000 - 40,000 | 0.10 | 0.15 | 0.87 | 3.61 | 0.37 | 0.66 | 10.49 | 0.69 |
| 40,000 - 45,000 | 0.11 | 0.13 | 0.73 | 2.81 | 0.29 | 0.46 | 8.89 | 0.49 |
| 45,000 - 50,000 | 0.13 | 0.15 | 1.00 | 3.10 | 0.37 | 0.54 | 12.29 | 0.57 |
| 50,000 - 55,000 | 0.08 | 0.11 | 1.00 | 3.18 | 0.30 | 0.45 | 13.47 | 0.48 |
| 55,000 - 60,000 | 0.12 | 0.13 | 1.05 | 2.76 | 0.30 | 0.41 | 13.28 | 0.44 |
| 60,000 - 65,000 | 0.08 | 0.10 | 0.95 | 2.83 | 0.24 | 0.33 | 11.57 | 0.37 |
| 65,000 - 75,000 | 0.07 | 0.11 | 0.93 | 2.27 | 0.25 | 0.31 | 10.25 | 0.35 |
| 75,000 - 100,000 | 0.03 | 0.12 | 0.70 | 1.46 | 0.19 | 0.22 | 6.77 | 0.25 |
| 100,000 - 150,000 | 0.05 | 0.18 | 0.87 | 1.60 | 0.25 | 0.29 | 6.17 | 0.33 |
| 150,000 - 200,000 | 0.09 | 0.18 | 1.61 | 2.31 | 0.29 | 0.29 | 7.65 | 0.37 |
| 200,000 - 500,000 | 0.04 | 0.33 | 1.24 | 1.45 | 0.37 | 0.37 | 4.85 | 0.40 |
| 500,000 - 1,000,000 | 0.09 | 0.34 | 2.26 | 1.95 | 0.36 | 0.36 | 5.52 | 0.41 |
| 1,000,000 - 2,000,000 | 0.01 | 0.07 | 0.56 | 0.40 | 0.07 | 0.07 | 0.95 | 0.08 |
| 2,000,000 - 5,000,000 | 0.02 | 0.10 | 0.78 | 0.50 | 0.11 | 0.11 | 1.04 | 0.12 |
| $5,000,000 and over | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| All Taxable Returns | 0.29 | 0.07 | 0.25 | 0.90 | 0.08 | 0.10 | 1.24 | 0.11 |

# Appendix C: 1994 New York State Income Tax Forms